

BUDGET, FINANCE & INVESTMENT COMMITTEE

June 1, 2010

5:30 P.M.

Courthouse

MINUTES:

Members Present:

Comm. Bob Bullen
Comm. Joe Frank Jernigan
Comm. Will Jordan
Comm. Robert Peay, Jr.
Comm. Steve Sandlin
Comm. Doug Shafer
Comm. Joyce Ealy, Chrm.

Others Present:

Ernest Burgess
Comm. Jeff Jordan
Comm. Anthony Johnson
Dorris Jernigan
Harry Gill
Don Odom
Lisa Nolen

Others Present:

Jeff Sandvig
Elaine Short

Chairman Ealy presided and called the meeting to order at 5:30 P.M. with all members being present.

The purpose of the meeting was to consider the 2010-11 budget request from the Board of Education for the General Purpose School Fund, Central Cafeteria Fund, and the Education Capital Projects Fund.

APPROVE MINUTES:

The minutes of the May 17, May 18, and May 20, 2010 Budget & Finance Committee meetings were presented for approval.

Comm. Jernigan moved, seconded by Comm. Shafer to approve the minutes as presented. The motion passed unanimously by acclamation.

2010-11 BUDGET REVIEW

GENERAL PURPOSE SCHOOL FUND:

Chairman Ealy advised that the committee would be considering the motion that was forwarded by the Health & Education Committee to accept the 2010-11 General Purpose School Fund budget as presented totaling \$256,801,110.

Mr. Gill advised that the Board of Education would be offering the same services in 2010-11 as were offered in 2009-10. He explained that there was not an increase in positions with the exception of adding teachers to accommodate growth and to open three separate schools – Oakland Middle School, Whitworth-Buchanan School, and Central Magnet School.

Mr. Gill explained that the School Board had done their best to make sure that the budget was within the financial constraints that existed; and secondly, the Board did not want to impose a property tax increase on the citizens of Rutherford County in tough economic times.

Mr. Gill explained that the budget reflected an increase of \$13,358,277 or 5.1% over the current year budget excluding the transfer to Fund 142, School Federal Projects. There are 104.8 new positions being added to the budget or 3.0%.

Since April 19, 2010, \$73,018 has been added to the budget with an additional \$168,533 in revenue and an offsetting expense for the State change in eRate; \$43,267 net increase between Career Ladder and Extended Contracts revenue and expense; and \$29,751 for the State loan for sensors with the maturity being decreased from seven years to five years.

Mr. Gill advised that the budget would handle growth in the 2% to 2.5% range, open the two new middle schools and Central Magnet School.

Mr. Gill advised that the Board was determined not to cut jobs, but through retirements and employees leaving 14.5 EA positions were eliminated. He advised that positions had also been

saved. By reallocating middle school band directors from two per school to 1.5 per school, two middle school band positions were saved. School Technology Specialists were reallocated to cover more schools saving two positions. Spectrum teachers were eliminated from the magnet schools and reassigned to cover the two new middle schools saving two positions. Only two assistant principal positions were added despite the fact that three new schools were opening. Some positions were reassigned using SACS guidelines. Only 2.5 guidance counselors were added.

Mr. Gill explained that the reason the budget increased by \$13.358 million was due to the retirement rate for certified staff increasing from 6.42% to 9.05% adding \$3.4 million to the budget. Medical insurance costs increased due to higher participation adding \$1.1 million. The costs for step raises for the existing staff including the related benefits added \$1.65 million. The loan payments for the lighting sensor project added \$308,000. The anticipated costs to open Oakland Middle, Whitworth-Buchanan Middle and Central Magnet, including \$300,000 for new bus routes, added \$4 million to the budget. The budget also included \$2.9 million for classroom teachers and other growth costs.

Mr. Gill advised that the funding sources for the increased budget included \$7.25 additional dollars from the State's BEP; a shift of one cent on the property tax rate from the Debt Service Fund amounting to \$500,000; \$2.7 million from the General Purpose School's fund balance; and a savings of \$3.660 million in 2009-10 unspent expenditures that will revert to fund balance.

Mr. Gill requested approval of the 2010-11 General Purpose School Fund budget totaling \$256,801,110.

Mr. Sandvig advised that the School Board had made a concerted effort to save money in the current year realizing the opening of the new schools.

Following review, Comm. Bullen moved, seconded by Comm. Sandlin to accept the recommendation of the Health & Education Committee to approve the 2010-11 General Purpose School Fund budget totaling \$256,801,110. The motion passed unanimously by roll call vote.

CENTRAL CAFETERIA FUND:

Mr. Gill next requested approval of the 2010-11 Central Cafeteria Fund budget with proposed revenue totaling \$14,262,422 and estimated appropriations totaling \$15,396,032.

Mr. Gill advised that the revenue numbers were conservative and might be increased after analyzing the May operations. Operating expenses were up because of opening the two new middle schools and Central Magnet School. The equipment expenditure has been increased as part of the plan to use some of the excess balance that must be used to improve the program.

Comm. Sandlin moved, seconded by Comm. Jordan to approve the 2010-11 Central Cafeteria Fund budget as presented with proposed revenue totaling \$14,262,422 and estimated expenditures totaling \$15,396,032.

Comm. Sandlin questioned how parents were notified when the child's lunch account ran out of money.

Comm. Jordan stated that the lunch account could be viewed online.

Following discussion, the motion to approve the 2010-11 Central Cafeteria Fund budget as presented with proposed revenue totaling \$14,262,422 and estimated appropriations totaling \$15,396,032 passed unanimously by roll call vote.

EDUCATION CAPITAL PROJECTS FUND:

Mr. Gill requested approval of the 2010-11 Education Capital Projects fund with proposed revenue totaling \$2,287,420 and estimated appropriations totaling \$2,287,420.

Mr. Gill advised that Fund 177, Education Capital Projects Fund, was funded by five cents on the property tax. The 2010-11 budget uses all of the anticipated revenue in order to fund roofing projects at Smyrna Elementary at a cost of \$526,065 and Stewartsboro Elementary at a cost of \$694,430; various renovations at McFadden for a cost of \$203,925 and grease traps at Central Magnet at a cost of \$175,000; wastewater treatment at Kittrell at a cost of \$109,000 and Lascassas at a cost of \$109,000; and window replacements at Campus School for a cost of \$423,000.

Comm. Sandlin moved, seconded by Comm. Peay to approve the 2010-11 Education Capital Projects Fund budget with proposed revenue totaling \$2,287,420 and estimated appropriations totaling \$2,287,420.

Mayor Burgess stated that when the agreement was approved for the Campus School renovations, it was approved in Phase I and Phase II. He asked if the money being appropriated for the Campus School renovations would complete Phase II.

Mr. Gill stated that he did not think that the funding for the window replacements would fully take care of the renovations. He advised that he would make a report of the progress at the Health & Education Committee meeting.

Following discussion, the motion to approve the 2010-11 Education Capital Projects Fund budget as presented with proposed revenue totaling \$2,287,420 and estimated appropriations totaling \$2,287,420 passed unanimously by roll call vote.

Chairman Ealy asked the committee if they had anything specific that they wanted to bring up about any of the budgets.

The committee asked for the Finance Director to review the action taken thus far.

Chairman Ealy reminded the committee that at the meeting on Thursday, June 3, the committee should be prepared to make a recommendation on the budget for publication. However, she suggested that after the Finance Director presented her review, it might not be necessary to meet on Thursday if the committee did not have any additional items they wanted to discuss.

PROPOSED PROPERTY TAX RATE:

The Finance Director explained that when the Budget Committee met on April 29, she reported that the certified property tax rate was \$2.4481. Since that meeting, the property tax rate that has been certified by the State was \$2.4652. That change generated approximately \$900,000 spread amongst the funds. She presented a comparison of the certified property tax rate distributed according to the same ratio as the 2009 distribution. She reminded the committee that in previous meetings it had been proposed to shift some pennies from the Debt Service Fund to the General Fund and to the General Purpose School Fund for the maintenance of effort. Mrs. Nolen presented a proposed distribution of the property tax rate to accomplish that with the General Fund receiving \$.5540 or 22.47%; the Ambulance Fund receiving \$.0879 or 3.56%; the Highway Fund receiving \$.0090 or .37%; Education receiving \$1.1430 or 46.37%; the Education Capital Projects fund receiving \$.0451 or 1.83%; and the General Debt Service Fund receiving \$.6262 or 25.40%. This proposal reflected all of the funds receiving the same ratio of the property tax rate with the exception of the General Fund going from 20.93% to 22.47%, Education going from 46.25% to 46.37%, and the General Debt Service Fund going from 27.06% to 25.40%.

GENERAL FUND:

With the changes to the property tax rate, the proposed revenue for the 2010-11 General Fund totaled \$65,291,908, and the estimated expenditures totaled \$68,065,251. The proposed revenues were under the estimated expenditures by \$2,773,343. The shortage in revenue would be funded with \$317,200 from the Litigation Tax and the Reserve for Automation for the Register of Deeds, which would be a restricted fund balance; \$1,018,000 of the shortage would

be funded from the Development Tax, which would be a committed fund balance; and the remaining \$1,438,143 would be funded from the unassigned fund balance. The estimated unassigned fund balance at July 1, 2010 was \$12,000,000, and the ending unassigned fund balance at June 30, 2011 was estimated at \$10,561,857.

The Finance Director provided an analysis of the changes to the 2010-11 General Fund to date reflecting the total proposed revenue of \$65,291,908 and the estimated appropriations totaling \$68,065,251.

The Finance Director presented an analysis of the Committed Fund Balance of \$1,018,000, which consisted of the funds that were previously accounted for in Fund 125, Development Tax Fund, and were being moved to the General Fund to comply with GASB 54. These funds consisted of \$65,000 for the PAWS building improvement project, \$100,000 for the Planning study, \$160,000 for the GIS flyover, \$325,000 for the Sheriff's Department vehicles, and \$918,000 for Transfers to Other Funds. The \$918,000 would be transferred to the General Capital Projects Fund for the purpose of providing \$315,000 for the Public Safety Communication Project and \$603,000 for the County Fire/Rescue Department.

SOLID WASTE/SANITATION FUND:

The Finance Director advised that no property tax went into the Solid Waste/Sanitation Fund and no changes had been made to the fund. The proposed 2010-11 revenues totaled \$2,635,005, and the estimated expenditures totaled \$3,381,474. The proposed revenues were under the estimated expenditures, which would use \$746,469 of the Assigned Fund Balance. The estimated ending Assigned Fund Balance at June 30, 2011 was \$2,653,531.

AMBULANCE SERVICE FUND:

The Finance Director explained that the adjustment for the change in the certified property tax rate would provide an additional \$32,000 for the 2010-11 Ambulance Fund revenue. The total proposed revenue was \$10,386,075, and the estimated appropriations were \$10,052,418. This proposal would increase the Assigned Fund Balance by \$333,657 with the ending fund balance at June 30, 2011 estimated at \$1,043,657.

INDUSTRIAL/ECONOMIC DEVELOPMENT FUND:

The Finance Director advised that no changes had been made to the 2010-11 Industrial/Economic Development Fund with proposed revenue totaling \$104,761 and estimated expenditures totaling \$219,858. The estimated ending Assigned Fund Balance at June 30, 2011 was \$229,592.

SPECIAL PURPOSE FUND:

The Finance Director advised that this fund accounted for asset forfeitures, and the fund was established as the result of an audit finding. She explained that revenue could not be estimated for the fund, and could only be recognized when received. The estimated appropriations totaled \$6,000.

DRUG CONTROL FUND:

The Finance Director advised that no property tax went into the Drug Control Fund. She stated that there had been no changes to the fund. The proposed 2010-11 revenue totaled \$448,600, and the estimated appropriations totaled \$669,176. The estimated ending Assigned Fund Balance at June 30, 2011 was \$479,424.

HIGHWAY FUND:

The Finance Director advised that in the 2010-11 Highway Fund, she had separated the money received from property tax for the public works operations into the Committed Fund Balance.

The additional revenue received from the adjustment to the certified property tax rate was \$314. The proposed revenue totaled \$7,564,742, and the estimated appropriations totaled \$9,477,635. The estimated ending Assigned Fund Balance at June 30, 2011 was \$3,669,645 and the estimated Committed Fund Balance for public works at June 30, 2011 was \$1,217,462.

GENERAL PURPOSE SCHOOL FUND:

The Finance Director advised that at the beginning of the meeting the 2010-11 General Purpose School Fund revenue totaled slightly less than \$250,000,000. Adjusting the certified property tax rate, the PILOT from Nashville Electric Service, BEP/Career Ladder, and redistributing the property tax rate provided an additional \$500,000 in revenue. The proposed revenue totaled \$250,499,682, and the estimated expenditures totaled \$256,801,110. The proposed budget would use \$6,301,428 of the fund balance with the estimated ending Assigned Fund Balance at June 30, 2011 being \$8,198,572. A 3% fund balance would be \$7,704,033.

CENTRAL CAFETERIA FUND:

The proposed revenue for the 2010-11 Central Cafeteria Fund totaled \$14,262,422, and estimated expenditures were \$15,396,032. The estimated ending Fund Balance at June 30, 2011 was \$3,612,625.

GENERAL DEBT SERVICE FUND:

The adjustment to the certified property tax rate yielded an additional \$248,810. Redistributing the property tax rate to the General Fund and the General Purpose School Fund reduced the amount of property tax going into the Debt Service Fund by \$2,360,521. The proposed 2010-11 revenue totaled \$40,047,174, and the estimated appropriations totaled \$40,714,454. The proposed budget would reduce the Assigned Fund Balance by \$667,280 with the estimated ending Fund Balance at June 30, 2011 being \$31,832,720, which was 78% of the appropriations.

EDUCATION CAPITAL PROJECTS FUND:

The Finance Director advised that the adjustment to the certified property tax rate provided an additional \$13,366 in additional revenue for the 2010-11 Education Capital Projects Fund. The proposed revenue totaled \$2,300,786, and the estimated appropriations totaled \$2,287,420. The estimated ending Fund Balance at June 30, 2011 was \$620,035.

The Finance Director provided a Statement of Estimated Operations for the Fiscal Year ending June 30, 2011, which provided a summary of all of the funds combined. The total estimated revenues for all funds were \$393,541,469, and the estimated appropriations for all funds were \$407,070,828. It was projected that the revenues would be under the appropriations by \$13,529,359.

Chairman Ealy asked the committee about their level of comfort in terms of proposing the budget for publication.

Comm. Bullen moved, seconded by Comm. Jordan to propose that the 2010-11 budget as presented and considered by the committee at this point be published in the local newspaper, and to cancel the Budget & Finance Committee meeting on Thursday, June 3.

Comm. Sandlin stated that he only had two concerns about the budget thus far and that was the overtime pay in the Sheriff's Department, and the \$603,000 for the County Fire and Rescue Department.

Comm. Jordan stated that there would still be time to make any adjustments to the budget after the public hearing on June 15.

Following discussion, the motion to propose the 2010-11 budget as presented and considered by the committee at this point be published in the local newspaper, and to cancel the Budget & Finance Committee on Thursday, June 3 passed unanimously by roll call vote.

ADJOURNMENT:

Chairman Ealy advised that the next meeting would be the regular monthly meeting on June 10 at 5:30 P.M., and the Public Hearing on the budget would be June 15, 2010 at 7:00 P.M.

There being no further business to be presented at this time, Chairman Ealy declared the meeting adjourned at 6:20 P.M.

Elaine Short, Secretary